

Message Text

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PAGE 01 HALIFA 00173 301816Z

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ACTION EUR-12

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TAGS: ECON, CA

SUBJECT: SPEECH IN HALIFAX ON MAY 29, 1975 BY FEDERAL MINISTER
OF FINANCE

1. ON OCCASION OF THE 224TH ANNUAL DINNER OF THE HALIFAX BOARD OF TRADE JOHN TURNER, FEDERAL MINISTER OF FINANCE, WAS THE GUEST SPEAKER. PROBABLY BECAUSE THE MINISTER HAS POSTPONED BRINGING DOWN HIS BUDGET FROM END OF MAY TO JUNE 23, HIS SPEECH ATTRACTED GREAT INTEREST AND THERE WAS CAPACITY AUDIENCE OF MORE THAN 700 PEOPLE.

2. THE MINISTER SAID THAT THE CANADIAN ECONOMY FACES CLOSE TO ZERO GROWTH IN 1975. HE SAID THAT THE ECONOMIC SLUMP IN THE UNITED STATES HAS CAUSED THE PROSPECTS OF FOUR PERCENT ECONOMIC GROWTH, PREDICTED IN THE LAST FEDERAL BUDGET, TO EVAPORATE. THE MINISTER BELIEVES
UNCLASSIFIED

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PAGE 02 HALIFA 00173 301816Z

THAT UNEMPLOYMENT WILL GET WORSE BEFORE IT GETS BETTER

BOTH IN NOVA SCOTIA AND ACROSS THE COUNTRY.

3. TRYING TO INJECT AN OPTIMISTIC NOTE INTO HIS SPEECH MR TURNER SAID THAT CANADA'S ECONOMY HAS CONTINUED TO PERFORM BETTER THAN THOSE OF MOST OTHER INDUSTRIAL COUNTRIES. NONETHELESS, CANADA AS A MAJOR TRADING NATION HAS INEVITABLY BEEN HARD-HIT BY THE WORLD-WIDE RECESSION AFFECTING HER THREE MAIN TRADING PARTNERS, THE UNITED STATES, JAPAN AND BRITAIN. THE ECONOMIC PROBLEMS IN THE UNITED STATES, CANADA'S MAJOR MARKET, HAVE MOST PARTICULARLY AFFECTED CANADA.

4. THE MINISTER WARNED AGAINST FURTHER EROSION OF CANADA'S COMPETITIVE POSITION IN WORLD TRADE WITH PROSPECTS OF A TRADE DEFICIT REACHING FOUR TO FIVE BILLION DOLLARS. HE SAID THAT THE ECONOMY OF THE UNITED STATES, RECOVERING FROM ITS RECESSION DURING THE REST OF THIS YEAR, WILL ENJOY SHARPER INCREASES IN PRODUCTIVITY AND LOWER INCREASES IN LABOR PRODUCTION COSTS THAN CANADA. "THE WIDER THE DIFFERENTIAL BECOMES, THE GREATER THE THREAT TO OUR COMPETITIVE POSITION AND TO OUR PROSPECTS FOR SHARING FULLY IN THE REVIVAL OF THE WORLD ECONOMY."

5. THE MINISTER NOTED THAT SOME PEOPLE CONTEND THAT CANADA'S COMPETITIVE POSITION CAN BE MAINTAINED BY WHATEVER DEVALUATION OF THE DOLLARS IS NECESSARY. HE SAID THAT HE DID NOT "BELIEVE THAT WE CAN RELY ON A STEADILY ERODING EXCHANGE RATE TO OFFSET THE ADVERSE IMPACT OF SPIRALLING COSTS AND PRICES IN CANADA-- A SPIRAL THAT WOULD ONLY BE AGGRAVATED BY THE STEADILY RISING COSTS OF IMPORTS BROUGHT ABOUT BY THE DECLINING VALUE ABROAD OF CANADIAN CURRENCY".

6. IN A MORE OPTIMISTIC VEIN THE MINISTER SAID THAT CANADA AS A NATION HAS GREAT OPPORTUNITIES LYING AHEAD. "THESE OPPORTUNITIES WON T BE REALIZED AUTOMATICALLY, THEY WILL HAVE TO BE SEIZED AND FORCEFULLY EXPLOITED." HE SAID THAT THEIR REALIZATION WILL REQUIRE THE EXPENDITURES OF VAST SUMS OF MONEY ON NEW INVESTMENT
UNCLASSIFIED

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PAGE 03 HALIFA 00173 301816Z

AND THAT IN A CAPITAL-HUNGRY WORLD, "WE MUST RELY HEAVILY ON OUR OWN CAPITAL RESOURCES TO FINANCE THAT DEVELOPMENT". HE WENT ON TO SAY, HOWEVER, THAT "WE MUST ALSO MAKE JUDICIOUS USE OF CAPITAL FROM ABROAD TO SUPPLEMENT THE SAVINGS WHICH WE OURSELVES ARE ABLE TO MOBILIZE".

7. DEPARTING SOMEWHAT FROM HIS PREPARED "NOTES" THE

MINISTER REMARKED ON THE "UNDERSTANDABLE PUSH" OF CANADIAN WORKERS FOR RISING WAGES AND SALARIES TO MAINTAIN OR IMPROVE LIVING STANDARDS BUT NOTED THAT THIS PUSH HAS LED TO WIDESPREAD INDUSTRIAL STRIFE AND BADLY IMPEDED ECONOMIC GROWTH. HE RECALLED THAT THE RECENT RECORD OF STRIKES IN CANADA IS WORSE THAN THAT OF ANY OTHER INDUSTRIAL COUNTRY EXCEPT POSSIBLY ITALY AND THAT THIS HAS LED TO A DAMAGING OF CANADA'S REPUTATION ABROAD AS A RELIABLE SUPPLIER. THE MINISTER BELIEVES THAT THE COUNTRY MUST SEEK TO ACHIEVE GREATER COOPERATION BETWEEN THE VARIOUS SECTORS OF THE ECONOMY THAN HAS HITHERTO EXISTED. "ONE WAY OR ANOTHER, WE MUST ABOVE ALL ENSURE THAT OUR ABILITY TO COMPETE WITH FOREIGN PRODUCERS BOTH AT HOME AND ABROAD IS NOT UNDERMINED BY A CONTINUING INFLATIONARY SPIRAL."

8. THE MINISTER MADE A SPECIAL STATEMENT ABOUT FEDERAL EQUALIZATION PAYMENTS TO THE PROVINCIAL GOVERNMENTS, A MATTER OF VERY MUCH CONCERN TO THE PREMIER OF NOVA SCOTIA, GERALD REGAN. HE REJECTED THE PREMIER'S CONTENTION THAT ALL THE NEW-FOUND BONANZA ACCRUING FROM INCREASED REVENUES TO PRODUCING PROVINCES FROM HIGHER OIL PRICES SHOULD BE USED IN CALCULATING THE EQUALIZATION FORMULA. HE SAID THAT THE WHOLE SYSTEM OF EQUALIZATION WOULD BE SERIOUSLY JEOPARDIZED IF IT WERE WEIGHED DOWN BY FULL EQUALIZATION OF ALL THE ADDITIONAL OIL AND GAS REVENUES THAT WILL FLOW TO PRODUCING PROVINCES AS CANADA'S PRICES MOVE MORE CLOSELY TOWARD THE WORLD LEVEL. HE SAID THAT THERE IS NO WAY THAT THE FEDERAL GOVERNMENT COULD BEAR THAT ADDED BURDEN, ONE THAT COULD AMOUNT TO BETWEEN 1.5 BILLION DOLLARS AND 2 BILLION DOLLARS. "MOREOVER, WE NOW FACE THE PROSPECT OF SHARPLY INCREASED COSTS TO MAINTAIN THE OIL PRICE SHELTER IN

UNCLASSIFIED

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PAGE 04 HALIFA 00173 301816Z

EASTERN CANADA AS A CONSEQUENCE OF DECLINING TAX REVENUE FROM EXPORTS OF OUR PETROLEUM TO THE UNITED STATES AND INCREASING PETROLEUM IMPORTS FROM ABROAD." THE MINISTER SAID THAT SINCE HE HAD TAKEN OVER HIS PORTFOLIO, EQUALIZATION PAYMENTS TO THE PROVINCES HAVE MORE THAN DOUBLED. HE NOTED THAT DURING THE CURRENT FISCAL YEAR NOVA SCOTIA WILL RECEIVE CLOSE TO 450 MILLION DOLLARS IN EQUALIZATION PAYMENTS WHICH IS EQUIVALENT TO MORE THAN HALF OF THE PROVINCE'S TOTAL PROJECTED SPENDING AS REVEALED IN THE LAST PROVINCIAL BUDGET.

9. THE MINISTER SPOKE FROM PREPARED "NOTES" BUT OFTEN DEPARTED FROM THE PRECISE TEXT TO DRIVE HOME HIS POINTS MORE TRENDENTLY. COPIES OF THE "NOTES" ARE BEING TRANSMITTED BY AIRGRAM TO THE DEPARTMENT AND THE

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